

**Office of Economic Development
Economic Development Advisory Board
MEETING MINUTES**

Date: February 2, 2010: **Time:** 7:30 A.M.

MEMBERS PRESENT

Terry Benelli
Jared Langkilde
Jim LeCheminant
Steve Parker
Jeff Pitcher
Jo Wilson
Steve Wood

EX-OFFICIO

Mayor Scott Smith (excused)
Chris Brady
Brian Campbell
Jeff Crockett
Charlie Deaton (unexcused)
Steve Shope

STAFF PRESENT

Betsy Adams
Donna Bronski
Chris Coyler
William Jabjiniak
Shea Joachim
Jaye O'Donnell

MEMBERS ABSENT

Rich Adams (excused)
Christian Alder (excused)

GUESTS

Jerry Ewing

1. Chair's Call To Order

Chair Jim LeCheminant called the February 2, 2010 meeting of the Economic Development Advisory Board to order at 7:31 A.M. at the City of Mesa Council Chambers, Lower Level, 57 E. 1st Street, Mesa, AZ 85201.

2. Items from Citizens Present

None

3. Approval of Minutes from January 5, 2010 board meeting.

Chair LeCheminant called for a motion to approve the minutes from the meeting held on January 5, 2010.

MOTION: Terry Benelli moved that the minutes from January 5, 2010 be approved as written.

SECOND: Jo Wilson

DECISION: Passed unanimously.

4. Hear a report on the Governor's Jobs Plan and the new Commerce Advisory Council

Mr. Jerry Ewing, Deputy Director of the Arizona Department of Commerce (ADOC), gave a brief update on the status of the Arizona Department of Commerce. Arizona has lost 276,500 since December of 2007. The unemployment rate is 9.1%, and the tax

revenue has a shortfall of \$3.4 billion. The deficit with the current budget of the state for the fiscal year 2010/2011 is very sizeable. ADOC had a budget cut in August 2009 and again in January 2010. A special session with the legislatures is currently taking place with a potential impact on the budget again. With the demands of Arizona it is critical to focus on the missions that are critical to the economic well being of the state. Because of the myriad of special programs within the agency there have been accusations on the ability of the agency to be and stay focused. The agency today needs to focus on the value mission and the economic crisis at hand. The structure is broken, but the agency still manages 50 different programs with limited dollars. Many of those programs do not come with any staff or funding. ADOC is charged with managing the population statistic group on behalf of the State to assure the census is conducted correctly and effectively. Approximately \$700,000 is in ADOC's advertising and promotions budget. The budgeted amount is critical to help drive the marketing campaign to brand the state.

He emphasized that the ADOC Director, Don Cardon, is very clear and committed in preserving the agency's core mission. The core mission is to retain and secure jobs in Arizona and to preserve and restore Arizona's economic health.

The Governor's office made a commitment to take a look at Commerce organizational models from across the country. The purpose is to look for the best practices and models used by Commerce organizations in other states. Several states models have caught a great deal of attention. A review of Arizona's model will be compared to the other models received and from there recommendations for a new structure and strategy will be made. The initiative has been underway for several months with a public/private partnership as a key component included in the final recommendation.

5. Cubs Update

Mr. Jabjiniak commented that an announcement was made by the Cubs to remain in Mesa. The signing of the Memorandum of Understanding (the MOU is out on the website) indicates that Mesa has a period of exclusivity. Several steps must follow and is by no means completed yet. There has not yet been a decision on a piece of property, which the Cubs must decide upon. Next in the process is the legislation, and then formulating a development agreement once legislation has been approved.

He encouraged the EDAB Board members to take a role in promoting the Cubs staying in Mesa. Introduction to the legislation is just a piece of the role in which EDAB can lead. Then there will be a public vote assuming that legislation is successful. He encouraged suggestions from EDAB as to ways the board may help work with the legislative bodies to vote in favor of this major business retention effort. There is a \$52 million annual economic impact to the state which is a significant amount.

Mr. Brady commented that the Cubs are committed to staying in Mesa with the signing of the MOU. It locks them into focusing on Mesa and their next step is to decide on a site. This agreement is unique in that the Cubs will have a long term commitment to the lease. They will purchase the property on which the stadium will be built along with the surrounding property where they will engage in the development of additional themes. He is not aware of a major league team ownership that has taken that kind of economic position in the State of Arizona. The Cubs have sent a strong message that Mesa is where they want to be and they also want to be full partners in succeeding.

The cap on the spending for the stadium is \$84 million. If the Cubs want to spend more on certain amenities related to spring training they can do so, but at their expense.

He also encouraged the Board members to step-up, take a strong position with the legislative group and support these initiatives to move forward. A local public campaign for the support of the project will take place in the November election.

Mr. Shope inquired how the voter campaign was going to be financed.

Mr. Brady responded that it had not been determined at this time.

Mr. Campbell commented that the City owes a great deal of thanks to the Mayor, City Manager, William Jabjiniak and his staff. It has been a remarkable effort getting to this point. There is still a lot of work to be done and Mesa residents owe everyone a great debt. The City has performed a fantastic service and tremendous efforts have gone into it.

6. New Market Tax Credit Update

Mr. Chris Coyler commented that he is an attorney with Snell & Wilmer, but is on loan for one (1) year to the City of Mesa through a fellowship program. Arrangements were made courtesy of Jeff Crockett.

The Qualified Low-Income Community Investment (QLICI) is:

- Any equity investment or loan to a low-income community business;
- The purchase from another Community Development Entity (CDE) of a loan by the CDE which otherwise qualified as a QLICI;
- Financial counseling and other services to businesses and residents in LICs; or
- Any equity or debt investment in another CDE.

A Low-Income Community (LIC) is a census tract where the poverty rate is at least 20% or the median family income is less than 80% of the statewide or metropolitan area median family income.

To be a Qualified Low-Income Community Business (QLICB) the following must be true:

- At least 50% of its total gross income is derived from the conduct of business in an LIC
- A substantial portion of its tangible property is used in an LIC
- A substantial portion of its employees' services are within an LIC
- Only 5% of the business's property can be collectibles such as artwork (unless that is their business)
- Only 5% of the business's property can be financial instruments such as stocks and bonds
- The business cannot consist of the rental of residential real property, a golf course, a country club, a massage parlor, a hot tub facility, a tanning facility, a gambling establishment, a racetrack, a liquor store, or certain farming activity.

New Market Tax Credit (NMTC) allocations for 2010 and beyond are currently unavailable. The statute only grants allocations for 2001 to 2009. Legislation is pending to extend to 2013, but such legislation has been stuck in committee since May 2009.

The process to apply for and receive the New Market Tax Credit is a two (2) step process. The first step is to receive CDE Certification followed by the second step to complete an Allocation Application. The Community Development Financial Institutions (CDFI) Fund estimates the application takes 170 hours to complete, but former CDE's claim that it takes up to 500 hours to complete.

If an allocation is granted the CDE will receive a Notice of Allocation approximately six (6) months later and will then enter into an Allocation Agreement with the CDFI Fund.

The CDE Certification Process can occur at any time, as long as the certification application is submitted at least thirty (30) days prior to applying for the latest round of NMTC's.

There are three (3) "Tests" for Certification:

1. Legal Entity Test – Entity is duly organized under law and is a domestic corporation or partnership for federal tax purposes
 - Requires submission of establishing documents (e.g., Articles of Incorporation) and submission of an Employer Identification Number
2. Primary Mission Test – Entity must have a primary mission of serving or providing investment capital to LICs or LIPs.
 - Requires signed Board documents stating primary mission and a signed statement that at least 60% of its activities are targeted at LICs or LIPs.
3. Accountability Test – The entities must be accountable to residents of LICs through their representation on any governing board and advisory board.
 - Requires identification of county or metropolitan area containing LICs.
 - Requires that at least 20% of board represent the LICs. The identification of each member and their qualifications must be disclosed.

Other CDE Application Requirements are:

- Estimates of the percentage of CDE activities occurring in major urban areas, minor urban areas, and rural areas.
- Identification of products and services that are or will be offered by CDE applicant.

The Grading Process has two (2) phases.

- Phase 1: Applicant must meet a minimum threshold on the overall application score and a minimum threshold for each individual section. There are four (4) sections worth twenty-five (25) points each. The four (4) sections are:
 1. Business Strategy
 2. Community Impact
 3. Management Capacity
 4. Capitalization Strategy

There are a maximum of ten (10) Priority points available. With the First Priority, five (5) maximum points, the applicant must demonstrate a past record of successfully providing capital or technical assistance to disadvantaged businesses or communities. The Second Priority, five (5) maximum points, must include the extent to which QLICs will be made to "unrelated businesses".

- Phase 2: Ranking of applicants on the basis of Business Strategy and Community Impact combined scores. The allocations will be made on the basis of rank until total statutory allocation is exhausted.

In the General Application Requirements, in addition to the graded sections, information such as the following is required:

- Miscellaneous due diligence statements (e.g., granting access to books and records, certification that CDE not be found liable for fraud, etc.)
- Total allocation amount requested
- Total CDE assets
- Business strategy narrative
- How NMTCs will be used to improve CDE's business

The recommended next steps are:

- Determine which City of Mesa tracts qualify as LICs
- Determine what QLICs Mesa intends to make, including: Products offered, Services offered; Terms each; Rates charged, etc.
- Create or locate an entity to qualify as a CDE
- Create/modify a governing board or advisory board so as to meet the "accountability test"
- Apply for CDE Certification
- Develop investor strategy such as:
 - Contract with investment bank
 - Develop procedures to ensure compliance with securities law
 - Identify potential investors
 - Receive investor commitments and/or investor letters of intent
- Begin drafting narratives and compiling information for the Allocation Application

7. Report on Business Retention and Expansion Subcommittee

No report was available.

8. Hear a presentation and make a recommendation on the proposed Business Registry

Mr. Shea Joachim gave a history on the process of developing a Business Registry. In December 2007 city staff from Economic Development, and Tax & Licensing Department went before the Audit & Finance Committee and presented a variety of information. The information presented was on the current practices the city undergoes for licensing or registering businesses and also a comparison of practices from across the valley. One of the critical discussion points that came out of the meeting was that the City does not have an annual renewal for its sales tax license or transaction privilege tax license. If you applied for your sales tax license in 1970 your license would still be active. There is no way of knowing or tracking if the business is still in business or even currently operating in the City of Mesa.

In June of 2008 the Mesa City Council adopted Ordinance #4852. The Ordinance called for the annual renewal of sales tax licenses. In February 2009 the Economic

Development Department staff as well as Tax & Licensing went to the General Economic Development Committee to talk about a concept of a business registry.

Several of the city's current practices are:

- Mesa currently issues a Transaction Privilege Tax (TPT) License to businesses that conduct taxable activities
- Mesa requires all businesses located in the city to obtain a Fire Safety Operational Permit (FSOP)
- Economic Development purchases business data annually from a third party (Claritas, Inc.)

Current Practices Drawbacks are:

- TPT Licenses only apply to businesses with taxable activities
- Fire Prevention has difficulty identifying new businesses in Mesa
- Purchasing data from a third party is expensive and the data is only "a snapshot" in time

The benefits of a registry will improve awareness of the types of businesses in Mesa. The registry will provide a communitywide access to accurate business information and promote accountability for proper business practices such as; Fire/Life Safety issues, Planning and Zoning issues and Environmental issues. The Registry objectives are to streamline the registration process, to minimize fees for opening/operating a business in Mesa and to protect legitimate Mesa businesses.

After the February 2009 meeting with the General Economic Development Committee (GEDC) Mr. Joachim sat down with the Information Technology Department (IT) and together they completed an analysis of the current TPT and FSOP data base. Out of the analysis about 14,270 entries had either a FSOP or TPT license in the City of Mesa (excluding vacant locations).

Mr. Joachim also related the short and long term benefits of the program.

Mr. Jabjiniak commented that Councilmember Richins has been very supportive of this project. He wondered if there was anything the EDAB Board could do to assist in the effort.

Mr. Joachim responded that when approaching and identifying a funding source for the Sales Tax Licensing project it would help to have a recommendation from the EDAB Board to include the Fire Safety Operational Permit as part of the project.

MOTION: Mr. Jared Langkilde moved that the EDAB Board is supportive and recommends to the City Council that the Fire Safety Operational Permit be included as a core component of the Sales Tax and Licensing project.

SECOND: Mr. Jeff Pitcher

DECISION: Passed unanimously

Mr. Jabjiniak made clear that a new license is not being instituted, but is something that the City is trying to do with no additional fee. The goal is to become more efficient, update and share data collected into one database for all departments to access.

9. Director's Report

Mr. Jabjiniak announced that Mesa has been renewed as an Enterprise Zone by the State Department of Commerce. An Enterprise Zone is designed to enhance capital investment and job creation within the Zone. The renewed Enterprise Zone is through December 31, 2014.

On behalf of the Economic Development Department two (2) requests for Community Development Block Grant funds (CDBG) assistance will be submitted for 2010. One of the objectives of economic development is to be able to offer a variety of different tools. Early on we were successful in obtaining a small loan fund that was turned over to Terry Benelli with NEDCO. The focus was on downtown Main Street. The CDBG Applications will focus on two things; one is to provide an emphasis on downtown and actually fund a position out of the CDBG Funds specific to the downtown effort, which follows the City Council's Strategy Initiatives. The second application also focuses on downtown. One of the biggest obstacles for some of the businesses and property owners is upgrading their property to the Fire Codes and Fire Suppression Codes. Taking that a step further we have asked for matching money to actually get a main water line into the building for each property. It is designed to be a matching deferred payment loan. For instance if a property owner wants to install fire sprinklers they would run their lines off the main line. If the system costs (i.e. \$20,000), the City would match that with a \$10,000 deferred payment loan. If you still own the building in five years then the loan is forgiven. This is a way to get the properties upgraded to current standards and to be able to accommodate mixed-uses and smaller spaces that are needed today.

Mr. Jabjiniak offered congratulations to Steve Wood. Steve has recently been appointed to the Chamber of Commerce Board of Directors.

The Mayor's Breakfast was very well attended. The main focus is on economic development and where the City is headed in the future.

The Business Accelerator is another initiative started over the last year. Councilmember Somers has been a strong supporter of the Business Accelerator and is working with economic development to write a business plan to be completed by ASU Technopolis.

Waxie Sanitary Supply celebrated with a Ribbon Cutting Ceremony on Tuesday, January 26. Waxie brings eighty (80) jobs to the Falcon Field area. This is a family owned business and also a great company. Mesa is proud to have them located here and they are a great asset to the community.

Spring Training games start in March. The business community will be entertained during the Spring Training games with two (2) major events being planned during this time. The first event is the Business 2 Baseball Event on Tuesday, March 9. This event focuses on the brokerages and development community. Last year there was a tremendous response with over 100 people in attendance. An increase in the number attending is expected this year. The second event is on Friday, March 26 and is focused more on the Business Retention efforts. Economic Development is partnering with the Chamber of Commerce for this event. An effort is being made to reach out to those businesses that have been visited over the last year to year and a half and new businesses in the city.

10. GPEC Report

Mr. Brian Campbell commented that the Enterprise Zone program is being focused on at the legislature. The Enterprise Zone program is part of the Speakers Bill that passed the House on Thursday, January 28, 2010. He complimented the City of Mesa Economic Development staff in getting recertified as the Enterprise Zone under the existing format. As the Bill is currently structured the existing Enterprise Zones will be "Grandfathered" in, but going forward the program will be a new program.

GPEC is leading an initiative to Washington, D.C. in April. The objective is to meet and partner with our Congressional leaders to target the bureaucrats and people that have access to the funding sources and to bring money back to Arizona. A major area of interest in the initiative is the aerospace component with the Phoenix/Mesa Gateway Airport area as a targeted area. The aerospace component is being chaired by Karin Taylor of DMB.

11. Other Business

Mr. Jabjiniak announced the Real Estate Subcommittee has tentatively been scheduled to meet on Tuesday, February 23, 2010. The Executive Subcommittee is in the process of scheduling a meeting.

He also commented that next month the Chamber of Commerce and Lois Yates will give an update on the BRE efforts.

Chair LeCheminant reminded the EDAB members of the next scheduled meeting on March 2, 2010 to be held at the City of Mesa Council Chambers, Lower Level, 57 E. 1st Street, Mesa, Arizona 85201.

12. Adjournment

Chair LeCheminant adjourned the meeting at 9:06 a.m.

Submitted By:

William J. Jabjiniak
Economic Development Department Director
(Prepared by Betsy Adams)